



Agenda Date: 4/28/04  
Agenda Item: 2B

## STATE OF NEW JERSEY

**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
[www.bpu.state.nj.us](http://www.bpu.state.nj.us)

IN THE MATTER OF THE PETITION OF  
PUBLIC SERVICE ELECTRIC AND GAS  
COMPANY TO REFUND \$513,000,000 OF  
LONG-TERM DEBT MATURING IN 2003, 2004  
OR 2005.

ENERGY

ORDER OF APPROVAL

DOCKET NO: EF03121003

(SERVICE LIST ATTACHED)

BY THE BOARD:

Public Service Electric and Gas Company "Petitioner", a public utility of the State of New Jersey, by petition filed December 18, 2003, has requested authority through December 31, 2005: (1) to execute and deliver pursuant to N.J.S.A. 48:3-7 one or more indentures or supplemental indentures and/or one or more pledges, Uniform Commercial Code ("UCC") financing statements and related agreements and instruments, creating one or more encumbrances and/or liens on the property and/or assets of Petitioner and providing for Asset Dispositions and/or issuance of: (a) its Mortgage Bonds, Debenture Bonds, MTNS, Notes and/or other debt instruments and/or certificates in one or more series having a maturity of not greater than 40 years; and (b) its Subordinated Debentures related to Tax Deductible Preferred Securities having a maturity of not more than 49 years; (2) to purchase through tender offer, open market or negotiated transactions, redeem at a premium or defease any or all of its Outstanding Long-Term Debt Securities, Outstanding Preferred Stock and Outstanding Tax Deductible Preferred Securities at or above par as long as the acquisition is accomplished on a cost-saving basis; and (3) to issue and sell, pursuant to N.J.S.A. 48:3-9, New Long-Term Debt Securities and New Tax Deductible Preferred Securities (including related Guarantees, TDPS Guarantees, Subordinated Debentures, Notes and Certificates) in aggregate principal amount (a) of not more than \$525,000,000 to refund \$513,000,000 of Long-Term Debt maturing in 2003, 2004 or 2005, and (b) as necessary to cover principal, premiums and expenses incurred to refinance Outstanding Long Term Debt Securities, Outstanding Preferred Stock and Outstanding Tax Deductible Preferred Securities acquired as described in (2), above.

Petitioner has requested authority to issue and sell, in one or more series, at any time through December 31, 2005, not more than \$525,000,000 aggregate principal amount of its Mortgage Bonds ("New Bonds") and/or MTNs and/or Debenture Bonds ("New Debentures") and/or Notes ("New Notes") and/or other debt instruments or evidences of indebtedness and/or certificates issued in connection with an offering of Asset-Backed Securities, as below described

(collectively, "New Long-Term Debt Securities"), and/or aggregate stated liquidation value of its TDPS (including related instruments as described below) ("New TDPS"), in order to provide it with funds to refund its 8-7/8% Mortgage Bonds, Series DD, its 6-1/2% Mortgage Bonds, Series PP, and its 9-1/8% Mortgage Bonds, Series BB; plus, with respect to the foregoing, related expenses of issuance at or before their respective maturity dates or to reimburse its Treasury for funds expended therefore and, in connection therewith, to execute and deliver such related ancillary documents as may be necessary.

Petitioner has requested authority through December 31, 2005, if savings may be achieved by such actions, to: (a) redeem at its option, all or any part of the outstanding principal balance of any of the remaining Outstanding Long-Term Debt Securities and/or Outstanding TDPS which are eligible to be redeemed at their previously approved redemption prices, including any premium, plus interest thereon to the date of redemption; or (b) purchase in the open market or in negotiated transactions or to tender for and/or to defease any of the remaining Outstanding Long-Term Debt Securities and/or Outstanding TDPS during such period.

Additionally, Petitioner requests authority through December 31, 2005 to issue and sell, in one or more series, New Long-Term Debt Securities and/or New TDPS, in aggregate principal amount not to exceed the aggregate principal amount as described above, plus redemption market premium paid and expenses incurred for the Outstanding Long-Term Debt Securities and Outstanding TDPS acquired in order to provide the funds for such acquisitions or reimburse its treasury for funds expended therefore, and, in connection therewith, to execute and deliver such related ancillary documents as may be necessary.

Petitioner has requested that this Board grant the approval requested herein in the form of a "one order" approach, including under one or more MTN Programs, multi-mode programs or other structured/negotiated transactions. Petitioner has proposed that it issue and sell the New Long-Term Debt Securities on a competitive basis without further order of this Board if, pursuant to public invitations, at least two independent bids for the purchase of the New Long-Term Debt Securities are received, and Petitioner accepts the bid which produces the lowest annual cost of money and the price to Petitioner in such bid is no less than 97% of principal amount and no more than 102% of principal amount. Petitioner has further proposed that it issue and sell MTNs as described below, and New Long-Term Debt Securities pursuant to multi-mode programs and/or structured/negotiated transactions as described below, without further order of this Board.

Petitioner has stated that MTNs would be issued in one or more series through one or more agents with maturities of from one to thirty years and with various specified conditions including redemption provisions. Secured MTNs will be secured with a global bond, which will be a series of Mortgage Bonds or a global New Bond. MTNs will be sold at 100% of principal amount or at a discount. Secured MTNs will be issued pursuant to the Indenture of Trust dated as of July 1, 1993 between Petitioner and J.P. Morgan Chase Bank (formerly The Chase Manhattan Bank), as Trustee, providing for the issuance of MTNs in one or more series from time to time without limit as may be supplemented by supplemental indentures thereto. Unsecured MTNs will be issued pursuant to an indenture between Petitioner and a trustee to be selected by it, providing for the issuance of one or more series from time to time without limit as may be supplemented by supplemental indentures thereto.

The interest rate to be borne by the MTNs would be set at a maximum coupon spread over U.S. Treasury securities provided in a market yield spread table set forth below:

**MARKET YIELD SPREAD TABLE**

<b>Range of Maturities</b>	<b>Maximum Coupon Spread Over U.S. Treasury Securities (Basis Points)</b>
1 Yr. to less than 18 Mos.	70
18 Mos. to less than 2 Yrs.	80
2 Yrs. to less than 3 Yrs.	85
3 Yrs. to less than 4 Yrs.	90
4 Yrs. to less than 5 Yrs.	95
5 Yrs. to less than 7 Yrs.	100
7 Yrs. to less than 10 Yrs.	110
10 Yrs. to less than 15 Yrs.	115
15 Yrs. to less than 20 Yrs.	125
20 Yrs. to less than 35 Yrs.	140

In order to provide it with the opportunity to take advantage of tax-exempt financing, Petitioner has requested authority, as market opportunities arise, to issue and sell the New Long-Term Debt Securities to the New Jersey Economic Development Authority, or to other similar state, county or other financing authorities ("Authorities") in New Jersey or Pennsylvania to service and secure pollution control revenue obligations of such Authorities ("New Authority Securities") which would be sold through competitive bidding or pursuant to one or more MTN Programs or multi-mode programs or structured/negotiated transactions in a manner so as to provide that the interest on such New Authority Securities would be exempt from Federal income taxation. Such financings would require Petitioner to borrow funds from time to time from such Authorities in order to comply with the technical requirements of the applicable pollution control financing law and the Internal Revenue Code. Any such borrowings would be evidenced by an agreement to be entered into between Petitioner and the respective Authority utilizing the proceeds from the sale of the New Authority Securities in order to refund or redeem taxable Outstanding Long-Term Debt Securities or to refund and redeem previously issued Authority securities serviced and secured by Outstanding Long-Term Debt Securities. Petitioner has stated that it will use its best efforts to secure any necessary governmental approvals and/or allocations of tax-exempt financing authority required to issue tax-exempt bonds.

In order to provide it with the opportunity to take advantage of innovative financing techniques permitting it to advantageously manage its cost of capital and meet competitive conditions, Petitioner has requested authority, as appropriate market opportunities arise, to issue and/or sell New Long-Term Debt Securities, in one or more structured and/or negotiated transaction, including domestic and/or non-U.S. public sales, private placements, loans, swaps, puts, calls, multi-mode programs, secured receivables financing and other asset-backed securities transactions or other structure or means ("Structured Transactions"), engage in related asset

dispositions and provide security, create encumbrances or guarantee or provide other credit support, related to Structured Transactions entered into by Petitioner or special purpose entities for the benefit of Petitioner. In connection therewith, Petitioner would utilize one or more agents, dealers, managers and/or institutions selected by it. The exact type(s) and terms of Structured Transactions cannot be determined at this time, as they will be dependent upon market and other conditions beyond Petitioner's control. Petitioner has stated that the cost to Petitioner for the instrument chosen would be the lowest obtainable which in the judgment of Petitioner would allow issue and/or sale of the New Long-Term Debt Securities in a financially advantageous manner.

Tax-exempt New Long-Term Debt Securities will be sold without registration with the Securities and Exchange Commission ("SEC"). Taxable New Long-Term Debt Securities will be sold to the public pursuant to one or more registration statements filed with the SEC or in compliance with the SEC's rules for sales of securities without registration. Petitioner has requested that all New Long-Term Debt Securities be sold without further approval by this Board in accordance with the procedures proposed by it, as set forth herein. Petitioner has stated that the flexibility of such procedures afford to it the opportunity to take advantage of favorable market conditions.

The timing and transaction with respect to each issuance and/or sale of the New Long-Term Debt Securities, the price to be paid to Petitioner, the rate of interest, maturity, redemption provisions and prices and the type, terms and conditions of the New Long-Term Debt Securities have not yet been determined. Such determination will depend upon the market conditions at the time of issuance and sale. Depending upon the then prevailing market conditions, such New Long-Term Debt Securities will have maturities of up to 40 years, may include conventional, floating rate, put, call, remarketed, swaps, options or other terms and conditions and consist of one or more of the types of securities, instruments or evidences of indebtedness and be issued and/or sold pursuant to one or more of the transactions as set forth herein.

The New Bonds, including each global New Bond, if any, issued to service and secure MTNs, are to be issued under the First and Refunding Mortgage dated August 1, 1924, from Petitioner to Wachovia Bank National Association (formerly Fidelity Union Trust Company), as supplemented and amended and as to be supplemented by a Supplemental Indenture for each series of the New Bonds to be dated the first day of the month of issuance and sale of the New Bonds. Said First and Refunding Mortgage is a first lien on substantially all the property and franchises of Petitioner, now owned or hereafter acquired. The terms and conditions for the Supplemental Indenture for each series will be determined prior to the issuance of each series. As described above, the MTNs are to be issued under the Indenture of Trust, dated as of July 1, 1993 between Petitioner and J.P. Morgan Chase Bank (formerly The Chase Manhattan Bank), or, if necessary, a supplemental indenture thereto or under a new indenture to be entered into between Petitioner and a trustee to be selected by it.

The New Debentures will be issued pursuant to one or more indentures and one or more supplemental indentures thereto to be entered into between the Petitioner and a trustee, and would be unsecured obligations of the Petitioner, unless, however, such New Debentures were secured obligations in connection with Asset-Backed Securities, as described below.

The New Notes will be issued pursuant to one or more loan agreements and would also be unsecured obligations of the Petitioner, unless, however, such New Notes were secured obligations in connection with Asset-Backed Securities, as described below.

New Long Term-Debt Securities consisting of asset-backed securities and/or debt instruments secured by receivables (collectively, "Asset-Backed Securities") would be issued pursuant to one or more indentures and/or agreements, and/or one or more supplemental indentures. Asset-Backed Securities would be issued directly or indirectly by Petitioner and/or by an entity (e.g., a subsidiary, limited liability company, partnership, or trust) established, settled, or owned initially by Petitioner, or, alternatively, in the future, by a direct or indirect subsidiary of an entity controlled by Petitioner (each, a "Subsidiary"). Obligations of a Subsidiary may be guaranteed by Petitioner (each, a "Guarantee"). Asset-Backed Securities would be secured by assets of Petitioner, consisting of cash, accounts and/or bills receivable, not subject to the lien of the First and Refunding Mortgage of Petitioner (collectively, the "Assets"). An indenture, pledge and/or other agreement or instrument, including without limitation, one or more financing statements under the Uniform Commercial Code ("UCC"), would create a lien on the Assets. Depending on the terms of an Asset-Backed Securities transaction, which will depend upon market conditions and cannot be determined at this time, the Assets may be pledged, transferred or sold (each an "Asset Disposition") to a Subsidiary or other party.

In connection with the issuance of any New Long-Term Debt Security pursuant to a Structured Transaction, Petitioner may enter into related ancillary documents.

Petitioner proposes that it enter into one or more financing structures providing for the issuance of TDPS. TDPS represent interests which would be issued by an entity (e.g., a limited partnership or a trust) established, settled, or owned initially by Petitioner, or, alternatively, in the future, by a direct or indirect wholly-owned subsidiary of the Petitioner. Payment of distribution payments ("Dividends"), if and when declared, and liquidation value or any redemption price with respect to each series of TDPS would be guaranteed by the Petitioner ("TDPS Guarantee"), each of which TDPS Guarantees would be unsecured and subordinate and junior to all general liabilities of the Petitioner. The proceeds of a TDPS sale, plus capital contributed by the Petitioner or subsidiary, if any, of Petitioner to the issuing entity, would be concurrently loaned by the issuing entity to the Petitioner, which, to evidence such loan, would issue to the issuing entity its deferrable interest subordinated debentures ("Subordinated Debentures") with interest payment requirements, including rate of interest, equal to that of the dividends payable on, and with redemption provisions corresponding to, those of the TDPS and with a maturity of not more than 49 years. The Subordinated Debentures would be issued under an indenture of trust ("Indenture") and would be unsecured and subordinate and junior to all other present and future debt obligations of the Petitioner for borrowed money, except that it would rank equally with other debt issued in connection with TDPS. In addition, Notes (demand or other maturity) might be issued with respect to each series of TDPS in aggregate principal amount of capital contributed. Such Subordinated Debentures and Notes are unrelated to the Debentures Bonds and Notes discussed above with respect to Long-Term Debt authority.

Interest payments on the Subordinated Debentures and Dividends on the TDPS, would be deferrable, from time to time, at the option of the Petitioner for a period, to be determined, of up to 60 consecutive months at any one time, during which period no dividends on capital stock of the Petitioner could be declared nor could any capital stock of the Petitioner be redeemed or purchased by Petitioner. The Indenture would be open-ended to permit future series of TDPS to be issued pursuant to one or more supplemental indentures ("Supplemental Indenture"). Upon any transfer of ownership interest in the issuing entity by Petitioner to a subsidiary, capital contributions by the Petitioner to the subsidiary would be concurrently loaned back to the Petitioner and evidenced by notes of the Petitioner to the subsidiary ("Note") at rates of interest

to be determined. Expenses of the issuing entity and subsidiary would be obligations of the Petitioner.

The issuance of New TDPS and the TDPS Guarantees, Subordinated Debentures and Notes, if any, instead of issuance by Petitioner of Preferred Stock of like aggregate par value, would result in significant cost savings to Petitioner since it has been advised that interest payable by it on the Subordinated Debentures would be deductible for Federal income tax purposes. Petitioner has been advised that the TDPS Guarantees and Subordinated Debentures would be treated as preferred equity for capitalization purposes by the major rating agencies according to their respective publications. This rating agency determination would be predicated on the length of maturity, deferability of interest on the Subordinated Debentures, Dividends on the New TDPS and subordination of the Subordinated Debentures to all other Petitioner's debt for borrowed money.

Thus, a TDPS transaction provides Petitioner with opportunity to engage in a financing which yields the economic benefits of a debt issuance with the capital advantages of a preferred equity offering. Due to the structure of a transaction, the securities issued by the Petitioner take the form of "traditional" debt instruments (i.e., the TDPS Guarantees, Subordinated Debentures and Notes, if any). Nevertheless, because of the rating agency treatment of the transactions not as debt but as preferred equity, Petitioner presently would consider undertaking TDPS financing as a substitute for Preferred Stock sales by it.

Petitioner proposes the issuance and sale of New TDPS in one or more series to underwriters for cash, as described above. The timing of any New TDPS transaction, the pricing, compensation, stated liquidation preference, dividend rate on New TDPS and interest rate on the subordinated debentures and notes, if any, redemption provisions and prices and other terms and conditions have not yet been determined. New TDPS will be sold to the public pursuant to one or more registration statements filed with the SEC or in compliance with the SEC's Rules for sales of securities without registration.

It is the general policy of this Board that Securities be sold through competitive bidding procedures, unless it is advantageous that a specific transaction be consummated on a negotiated basis. Petitioner states that due to the structure, complexity and marketing considerations inherent in a TDPS financing and/or a Structured Transaction, arrangements for the issuance and sale of TDPS and/or a Structured Transaction could not be established through competitive bidding procedures such as would be utilized in a more traditional financing. Accordingly, Petitioner proposes that each New TDPS transaction and/or Structured Transaction be effected through a negotiated transaction with one or more underwriters, dealers, agents, managers and/or institutions.

Petitioner has requested that this Board grant the approval requested herein in the form of a "one order" approach.

Petitioner has stated that the purpose of the issuance of the New Long-Term Debt Securities and New TDPS is to fund the refunding of the 8-7/8% Mortgage Bonds, Series DD, the 6-1/2% Mortgage Bonds, Series PP, and the 9-1/8% Mortgage Bonds, Series BB, at their respective maturity dates or to reimburse Petitioner's Treasury therefore and to fund the refunding, redemption, defeasance or purchase of the remaining Outstanding Long-Term Debt Securities and Outstanding TDPS, including the payment of the required premiums and other expenses therefore. Petitioner has further stated that the proceeds from the sale of New Long-Term Debt

Securities and New TDPS will be added to the general funds of the Petitioner and will then be applied as follows: (i) to the payment, at or before maturity, of all or any portion of its indebtedness, if any, outstanding under its commercial paper program and other outstanding short-term promissory notes which were issued to refund, redeem, defease or purchase the Outstanding Long-Term Debt Securities and/or Outstanding TDPS and any required premiums and other expenses therefore and Long-Term Debt maturing in 2003, 2004 or 2005; (ii) to reimburse Petitioner's treasury for internally generated funds used for the refunding, redemption, defeasance or purchase of the Outstanding Long-Term Debt Securities and/or Outstanding TDPS and any required premiums and other expenses therefore and Long-Term Debt maturing in 2003, 2004 or 2005; and (iii) to provide for the retirement of the Outstanding Long-Term Debt Securities and/or Outstanding TDPS at or before maturity and Long-Term Debt maturing in 2003, 2004 or 2005.

This Board, after investigation, having considered the record and exhibits submitted in this proceeding, being satisfied with the actions proposed to be taken by Petitioner as indicated above and finding that the transactions are to be made in accordance with law, are in the public interest, and approving the purposes thereof, HEREBY ORDERS that Petitioner be and is HEREBY AUTHORIZED, from time to time through December 31, 2005: (1) to execute and deliver pursuant to N.J.S.A. 48:3-7 one or more Indentures or Supplemental Indentures and/or one or more pledges, UCC financing statements and related agreements and instruments creating one or more encumbrances and/or liens on the property and/or assets of Petitioner and providing for Asset Dispositions and/or issuance of: (a) its Mortgage Bonds, Debenture Bonds, MTNS, Notes and/or other debt instruments and/or certificates in one or more series, having a maturity of not greater than 40 years; and (b) its Subordinated Debentures related to Tax Deductible Preferred Securities, each having a maturity of not more than 49 years; (2) to purchase through tender offer, open market or negotiated transactions, redeem at a premium or defease any or all of its Outstanding Long-Term Debt Securities, Outstanding Preferred Stock and Outstanding Tax Deductible Preferred Securities at or above par as long as the acquisition thereof is accomplished on a cost-saving basis; and (3) to issue and sell pursuant to N.J.S.A. 48:3-9, new Long-Term Debt Securities and New Tax Deductible Preferred Securities (including related Guarantees, TDPS Guarantees, Subordinated Debentures, Notes and Certificates) in aggregate principal amount (a) of not more than \$525,000,000 to refund \$513,000,000 of Long-Term Debt maturing in 2003, 2004 or 2005, and (b) as necessary to cover principal, premiums and expenses incurred to refinance Outstanding Long Term Debt Securities, Outstanding Preferred Stock and Outstanding Tax Deductible Preferred Securities acquired as described in (2), above.

This Order is issued subject to the following provisions:

1. Petitioner will issue the New Long-Term Debt Securities and New TDPS and do the refinancing of its Outstanding Long-Term Debt Securities, Outstanding Preferred Stock and Outstanding TDPS in compliance with this Order.
2. With respect to each issue and sale of New Long-Term Debt Securities through competitive bidding, Petitioner shall provide this Board with the following material for informational purposes, as soon as it is available, and in no event later than 24 hours prior to the time for the receipt of bids (which materials may be provided by mail or by facsimile transmission and confirmed by mail): (a) a statement with respect to the bidding for the New Long-Term Debt Securities which shall specify (i) the date and time for the receipt of bids for the New Long-Term Debt Securities, (ii) the principal amount

of the New Long-Term Debt Securities, (iii) the series designation of the New Long-Term Debt Securities, (iv) the minimum and maximum percentage of principal amount which may be specified in the bid as the purchase price for the New Long-Term Debt Securities, (v) the term of the New Long-Term Debt Securities, (vi) the terms and conditions upon which the New Long-Term Debt Securities may be redeemed, whether at the option of the Petitioner, pursuant to any sinking or improvement fund for the New Long-Term Debt Securities, or otherwise, and (vii) such other provisions as may be established by Petitioner with respect to the terms and conditions of the New Long-Term Debt Securities and the bidding therefore; and (b) an assessment of the then current financial markets applicable to the New Long-Term Debt Securities which shall include (i) data with respect to recent sales of comparable bonds of other utilities, (ii) data with respect to current yield on certain outstanding Mortgage Bonds of Petitioner, (iii) interest rate spreads between United States Treasury Bonds and comparable utility bonds, (iv) the anticipated number of bidders for the New Long-Term Debt Securities, (v) the anticipated range of the yield of the New Long-Term Debt Securities based upon current market conditions, and (vi) such other information as Petitioner shall deem relevant to assess the expected sale for the New Long-Term Debt Securities and the reasonableness of the annual cost of money rate thereof.

3. If, pursuant to competitive bidding procedures, (a) at least two independent bids for the purchase of New Long-Term Debt Securities are received, (b) Petitioner accepts the bid which produces the lowest annual cost of money, and (c) the price to Petitioner in such bid is no less than 97% of principal amount and no more than 102% of principal amount, Petitioner may, without further Order of the Board, issue and sell the New Long-Term Debt Securities in accordance with the terms and conditions contained in such accepted bid. If (x) only one bid is received for the New Long-Term Debt Securities, or (y) Petitioner proposes to accept the bid which does not produce the lowest annual cost of money, or (z) the accepted bid provides for a price to the Petitioner of less than 97% of principal amount or more than 102% of principal amount, the proposed issuance and sale of the New Long-Term Debt Securities shall not be consummated until a further Order of the Board authorizing such issuance and sale has been entered.
4. Petitioner shall furnish this Board, in writing as soon as practicable after accepting the bid for the New Long-Term Debt Securities, the names of all principal bidders or group representatives together with the interest rate, the annual cost of money to Petitioner, the price to the public, the percentage yield and the price to Petitioner applicable to each bid.
5. Petitioner shall not issue MTNs at coupon rates in excess of the Market Yield Spread Table set forth above. In the event that market conditions change, Petitioner may file an updated market yield spread table with the Board for approval. Any such updated market yield spread table submitted by Petitioner for approval of the Board shall be accompanied by Petitioner's statement of the basis or rationale therefore.
6. Petitioner shall telephonically notify the Chief Economist prior to its issuance of MTNs, and shall furnish the following for informational purposes only: (a) principal amount or amounts of the MTNs proposed to be sold; (b) anticipated maturity ranges; (c) actual current yields of U.S. Treasury Securities; (d) range of estimated coupon spreads over U.S. Treasury Securities; (e) data, as available, with respect to recent sales of



comparable MTNs of other utilities; and (f) such other information as Petitioner shall deem relevant to assess the reasonableness of the expected sale of the MTNs. Further, within seven business days after the issuance and sale of any MTNs, Petitioner will provide the Chief Economist with such information as was available at the time of sale upon which Petitioner based its decision to sell, such as market data with respect to utilities with similar credit ratings that have issued comparable securities.

7. As promptly as is practicable following the end of each month during which the MTNs are sold, Petitioner shall file with this Board a statement which shall set forth the MTN transactions concluded during such month including the names of the agents and their offers. Such statement shall also set forth (a) the principal amount, maturity date, redemption provisions, commissions and the interest rate spread over comparable U.S. Treasury Securities for any MTNs sold, and (b) the principal amount of the Petitioner's New Long-Term Debt Securities remaining authorized for issuance and sale in this Docket.
8. With respect to any series of New Long-Term Debt Securities to be issued pursuant to a multi-mode program and/or Structured Transaction, Petitioner shall furnish this Board, in writing at least 24 hours prior to issuance, for informational purposes, the following data (a) with respect to the New Long-Term Debt Securities: (i) the principal amount of the New Long-Term Debt Securities; (ii) the series designation of the New Long-Term Debt Securities, (iii) the anticipated maturity ranges, (iv) the identity of any governmental agency for whose benefit the New Long-Term Debt Securities will be issued, (v) the term of the New Long-Term Debt Securities, (vi) the terms and conditions upon which the New Long-Term Debt Securities may be redeemed, and (vii) such other provisions with respect to the New Long-Term Debt Securities as the Petitioner may deem to be material; and (b) with respect to the Structured Transaction: (i) the identity of any agent/dealer/manager and/or institution, and (ii) a description of the proposed program/transaction, including any security interest or asset disposition related thereto.
9. With respect to any series of New Long-Term Debt Securities issued to service and secure governmental agency securities or issued pursuant to a Structured Transaction, Petitioner shall furnish this Board, as promptly as practicable following the issuance of the New Long-Term Debt Securities the following: (a) a copy of all material agreements between the Petitioner and the governmental agency, (b) a copy of the agent/dealer/manager agreement, and (c) a copy of all material agreements related to the Structured Transaction.
10. Petitioner shall, as promptly as is practical following the end of each quarter during which the Structured Transaction securities are sold, file with this Board a statement which shall set forth the Structured Transaction concluded during such quarter. Such statement shall also set forth (a) the principal amount, maturity date, redemption provisions, commissions and the interest rate for any Structured Transaction securities sold; (b) the principal amount of Structured Transaction securities scheduled for maturity during the following quarter; and (c) a brief description of any Asset Disposition and/or any liens placed on any Assets of Petitioner in connection with a Structured Transaction.

11. Petitioner shall issue the New Long-Term Debt Securities solely for the purpose authorized in this Order.
12. Petitioner shall furnish this Board with copies of (a) each Indenture and/or Supplemental Indenture; (b) any UCC financing statement or pledge; and (c) any material agreement related to Asset-Backed Securities and/or Asset Dispositions.
13. Petitioner shall furnish this Board with copies of all documents as executed and filed with other regulatory agencies relating to the New Long-Term Debt Securities.
14. Petitioner shall semiannually file with this Board, a statement setting forth: (a) the amount of New Long-Term Debt Securities issued; and (b) details with respect to the disbursement of proceeds.
15. Petitioner shall issue TDPS/interest deferred Subordinated Debentures solely for the purpose authorized in this Order.
16. Petitioner shall furnish the Board with executed copies of documents filed with other regulatory agencies relating to the TDPS/interest deferred Subordinated Debentures.
17. With respect to each issue of TDPS/interest deferred Subordinated Debentures, Petitioner shall provide the following material for information purposes as soon as it is available and in no event later than 24 hours prior to the anticipated time for the Pricing (which materials may be provided by facsimile transmission or hand delivered to the Chief Economist and confirmed by mail to this Board and are deemed provided upon dispatch): (a) a statement with respect to the indicative pricing for the TDPS/interest deferred Subordinated Debentures and the terms thereof which shall specify (i) the anticipated date and time of the pricing of the TDPS/interest deferred Subordinated Debentures, (ii) the aggregate stated liquidation preference of the TDPS/interest deferred Subordinated Debentures and aggregate principal amount of the related Subordinated Debentures, (iii) the terms and conditions upon which the TDPS and the related Subordinated Debentures may be redeemed, whether at the option of Petitioner, pursuant to any mandatory provisions or otherwise, and (iv) such other provisions as may be established by Petitioner with respect to the terms and conditions of the TDPS and the related Subordinated Debentures and the pricing therefore; and (b) an assessment of the then current financial markets applicable to TDPS/interest deferred Subordinated Debentures which shall include (i) data with respect to recent sales of comparable TDPS of other utilities, (ii) data with respect to current yields on certain outstanding preferred stock of Petitioner, (iii) anticipated compensation to and the names of the underwriters for the TDPS/interest deferred Subordinated Debentures and (iv) such other information as Petitioner shall deem relevant to assess the expected sale of the TDPS/interest deferred Subordinated Debentures and the reasonableness of the annual cost of money thereof.
18. If (a) the Dividend rate on any series of New TDPS and interest rate on the related Subordinated Debentures does not exceed 10% and (b) the compensation to the underwriters with respect to any series does not exceed 3.15% of the aggregate stated liquidation value of the TDPS issued and sold, Petitioner may effect TDPS transactions without further order of the Board. If either the Dividend rate/interest rate or the compensation to the underwriters shall exceed such amounts, the proposed issuance

and sale of such TDPS shall not be consummated until a further Order of the Board authorizing such TDPS transaction has been entered

19. Petitioner shall, as promptly as is practical after acceptance of an offer for and the pricing of New TDPS/interest deferred Subordinated Debentures, notify the Chief Economist in writing, by facsimile transmission or by hand delivery and notify the Board by mail, of action to be taken and include a statement setting forth the compensation to and names of all the underwriters, the stated liquidation preference, the dividend rate of the TDPS, the aggregate principal amount, the maturity and the interest rate of the Subordinated Debentures, the amount of the Guarantee, the redemption provisions and prices and any other provision with respect to the terms and conditions of the TDPS and the Subordinated Debentures.
20. Upon any transfer of ownership interest in the issuing entity by Petitioner to a subsidiary, Petitioner will, as promptly as is practicable, notify the Chief Economist in writing, by facsimile transmission or by hand delivery and notify this Board by mail of such action and include a statement setting forth the aggregate principal amount, the maturity (if other than a demand Note) and interest rate of the Note.
21. The New Long-Term Debt Securities and Subordinated Debentures authorized herein shall not be redeemed at a premium prior to maturity without further Board approval.
22. This order shall not be construed as a certification that the securities authorized to be offered for sale will be represented by tangible or intangible assets of commensurate value or investment costs.
23. This Order shall not affect nor in any way limit the exercise of the authority of this Board, or of this State, in any future petition or in any proceeding with respect to rates, franchises, services, financing, capitalization, depreciation, or any other matters affecting the Petitioner.
24. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.
25. With regard to refinancings where savings may be achieved, the Company will, upon completion of the financing, provide to the Office of the Economist a detailed analysis of the savings realized from each such financing.

26. The authority granted in this Order shall become null and void and of no effect with respect to any portion thereof which is not exercised by December 31, 2005.

DATED: 4/28/04

BOARD OF PUBLIC UTILITIES  
BY:

[SIGNED]

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JEANNE M. FOX  
PRESIDENT

[SIGNED]

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FREDERICK F. BUTLER  
COMMISSIONER

[SIGNED]

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CAROL J. MURPHY  
COMMISSIONER

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CONNIE O. HUGHES  
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JACK ALTER  
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ATTEST:

[SIGNED]

KRISTI IZZO  
SECRETARY

## Service List

### **I/M/O Petition of Public Service Electric and Gas Company for Authority through December 31, 2005 to Refinance Long Term Debt EF03121003**

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